



Why More Americans Are Extending Work Beyond Traditional Retirement Age

According to a Joint Economic Committee report, over the past two decades, the number of workers age 55 and over has nearly doubled, increasing from 13% in 2000 to 23% in 2021. The Bureau of Labor Statistics (BLS) projects that by 2031, fully one quarter of the labor force will be 55 or older. While workers over 55 make up just 35% of the population, they contribute an estimated 40% of the national economic output.¹ Continued growth is also expected in the labor force participation rate for workers who have reached traditional retirement age. The BLS projects that labor force participation among workers age 65 to 74 will rise from 25.8% in 2021 to 30.7% in 2031. For those 75 and older, the projected increase is 8.6% to 11.1%.²

What's behind the numbers?

A recent study reveals several factors driving the growth in the number of Americans choosing to extend work or return to the workplace after reaching traditional retirement age. Among them:³

- 92% say they need or want more money for retirement
- 60% say they have less than \$500,000 in savings, including all investments, savings accounts, pension plan/defined benefit plans, and retirement plans
- 26% say they need to cover expenses now or in retirement
- 13% say work provides a sense of purpose

In a separate study, inflation, boredom and loneliness ranked high among the reasons people returned to work post-retirement (62% of respondents were retired for an average of 6 years):⁴

- 52% said they were bored
- 43% blamed inflation
- 43% felt lonely

Whether you're considering going back to work for personal or financial reasons, it's important to consider how wage income may impact other aspects of your finances, such as taxes and retirement benefits, especially if you're currently receiving Social Security or Medicare benefits. If you have questions about how working in retirement may impact your current strategy, call the office to scheduled time to talk about your changing needs and goals.

1 "The Number of Older Workers is Growing Quickly as They Continue to Face Economic Challenges." jec.senate.gov, 21 DEC 2022,

<http://www.jec.senate.gov/public/index.cfm/democrats/issue-briefs?id=0B387CCE-3525-468C-A35F-454A8C49988E>

2 "Employment Projections 2021- 2031." Bls.gov, 8 SEP 2022,

http://www.bls.gov/news.release/archives/ecopro_09082022.pdf

3 "Employment Extenders: A (labor) force to be reckoned with." Voya.com,

http://www.voya.com/sites/www/files/2023-01/Voya_Cares_Employment_Extenders.pdf. Accessed. Accessed 20 APR 2023.

4 "Are Retirees Quietly Rejoining the Workforce?" Paychex.com, 7 Feb. 2023,

<http://www.paychex.com/articles/human-resources/retirees-rejoining-the-workforce/>

Striking the Right Balance with Work in Retirement

Returning to work on a full- or part-time basis may seem like a simple solution to help offset boredom or plug budget gaps due to high inflation. However, it could have unforeseen consequences for many retirees, especially where taxes and Social Security benefits are concerned. Below are several things to consider before jumping back into the workforce with both feet.

Beware of the earnings test

If you're working while taking Social Security benefits and are under your full retirement age (as defined by the Social Security Administration), your monthly benefit may be reduced until you reach full retirement age, based on the amount of wage income you earn. Once you reach your full retirement age (FRA), you're no longer subject to the "earnings test" and any withheld earnings will be returned. However, there's a caveat. Earnings that were previously withheld are not returned in a lump sum. Instead, Social Security resets your monthly benefit and returns the previously withheld earnings over time. What's more, you won't see that boost in your benefit until the month of January, following the year you reach your FRA. So, if you reach your FRA in June 2023, you'll have to wait until January 2024 to begin receiving your higher benefit amount. (To learn how much you can earn in 2023 before benefits are withheld, visit SSA.gov.)

Paid work can trigger taxes on Social Security

Earned income from a job could also lead to a portion of your Social Security benefits being taxed. Federal taxes on benefits apply when provisional income (defined as your modified adjusted gross income plus half of your annual Social Security benefit) reaches \$25,000 for individuals and \$32,000 for married couples filing jointly. Keep in mind that state taxes on Social Security benefits, where applicable, are determined by the individual states. (To learn more about how these benefits are taxed, visit SSA.gov.)

Medicare costs may rise

If income from a job pushes you into a higher tax bracket, that could trigger additional costs for Medicare. That's because higher earners pay a premium surcharge for Medicare Part B outpatient coverage and Part D prescription drug coverage. (Learn more at Medicare.gov.)

Don't forget about incidental costs

It's important to remember that paid work can come at a cost. If you're working outside of your home, expenses like transportation, parking, clothing and meals can add up quickly. If you're able to work from home, these costs may be significantly reduced or eliminated. However, you may incur other costs associated with maintaining a home office, such as phone, internet, and equipment costs.

These are just a few considerations as you weigh your options and determine what you want most out of this next exciting phase of your life.

Want to learn more? Call the office to schedule time to talk about striking the right balance for you.

This information was written by KRW Creative Concepts, a non-affiliate of the broker-dealer.

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